

1 states out west. And I think everyone, all the
2 staffers there, and I'm quite sure all of the
3 members of Congress and all of the senators, thought
4 that's what universal service in the '96 act was
5 about.

6 Let me just give you a few numbers to
7 describe what has happened to universal service
8 since the passage of the act. There's been
9 substantial increases in low income programs. And
10 I'm going to use Wyoming as just a case study. You
11 might say, well, Wyoming is not a very heavily
12 populated state. It has about 0.2 percent of people
13 in the United States. It has -- it's one of 50
14 states. Perhaps 2 percent is a better number. It's
15 perhaps 4 or 5 percent of the land mass of the U.S.
16 You can pick a range of reasonable numbers of what
17 Wyoming might expect to get out of universal service
18 that might help the demand aggregation. So you
19 might expect, say, something between 0.2 and 4 or 5
20 percent might be reasonable ranges.

21 Well, let me describe what Wyoming actually
22 gets. For low income programs, it gets 0.0003
23 percent of low income universal service programs.
24 For rural health care, it gets 0.06 percent. For
25 schools and libraries, it gets 0.1 percent. For new

1 large company support, I don't know what percentage
2 it gets, but I suspect the folks at US West would
3 say it ain't enough. Now, something happened in the
4 past five years, or something certainly happened in
5 the past four years since the passage of the act.
6 I'm glad to hear that there are things going on in
7 Wyoming and out west to deal with the deployment of
8 advanced services, but I'm not surprised that those
9 solutions have not been based on federal universal
10 service programs or on new federal universal service
11 programs.

12 And I guess my question to you all is,
13 what -- what can we do -- these federal universal
14 service programs are growing. They've more than
15 tripled in size since the '96 act, although little
16 of the money is winding up in Wyoming. Let me note,
17 for those of you in the surrounding states, I have
18 the same numbers for every state out west. There's
19 the exact same result. Every large square or
20 roughly square state has done very badly out of the
21 universal service program. South Dakota, Montana,
22 North Dakota, Nebraska, Kansas, Colorado, Utah,
23 Idaho. You name it. Same result. What can we do
24 to get this program back targeted to what Congress
25 thought it ought to be?

1 COMMISSIONER NELSON: I have a
2 suggestion. Does that surprise you?

3 Well, first my suggestion might be that we
4 evaluate what we spend our money on. And I think
5 that we ought to be investing in long-term things
6 that will pay off over the long haul. In other
7 words, if we can -- for instance, one program that
8 would come to mind is the president's idea of
9 handing out telephone service on the reservations
10 for a dollar. Now, I think that might be an
11 admirable program, but if we have limited resources,
12 I personally believe that we might be investing in
13 our infrastructure. So I think that that would be a
14 better long-term investment than giving somebody a
15 buck worth of phone service. So I think that we
16 have lots of programs out there, but we have to make
17 a decision about which are the most valuable. And I
18 think, in the long-run, we need to be sending the
19 rewards to those people who invest in the
20 infrastructure.

21 And as for the health -- rural health
22 programs and telemedicine programs and things, it's
23 true that they didn't get universal service funding,
24 but they certainly got a federal subsidy. If those
25 rural health care dollars with the schools and

1 libraries things weren't available, the application
2 of those telemedicine things wouldn't be happening,
3 at least in South Dakota. And I'm not sure about
4 Wyoming. So maybe it's not universal service.
5 There are all sorts of ways that the federal
6 government supports worthy programs. But I think
7 that the rural health care money, for a large part,
8 came along -- the new money, anyway, came along
9 because of the 1996 act and the schools and
10 libraries and all those kinds of things. So it
11 wasn't universal service, but it was -- certainly
12 came about because of the 1996 act, in my opinion,
13 and certainly is another way that we've subsidized
14 other than through universal service.

15 COMMISSIONER FURTNEY: Governor?

16 GOVERNOR GERINGER: Commissioner
17 Furchtgott-Roth, let me follow up a little bit on
18 what was just said. And that is we need to know
19 what we're going to do before we say we need the
20 money. If all we do is have a giveaway, we promote
21 dependency. And what we are most interested in in
22 the west is how we can create the ability to move
23 forward on our terms and on our ability.

24 Having said that, there is certainly a
25 disproportion of unfairness when it comes to the

1 allocation of those funds to the western states. A
2 lot of it has to do with the very model being used
3 by FCC. So I'll reinforce to you what I said to
4 Chairman Kennard a while back. Change the model and
5 change the model to where you have the flexibility
6 allowed for the uniqueness of these states and how
7 it's allocated.

8 But we ought to be working together to meet
9 the intent of Congress and, of course, the need of
10 the people out here. So part of, I guess, what
11 needs to be done is governors and other policymakers
12 work with our congressional delegations to make sure
13 that the message is getting through to them that
14 their intent is not being met, that we reinforce
15 your willingness to work with us, with your fellow
16 commissioners at the FCC, and make them just as
17 aware as you are that the dollars are not being
18 distributed in an equitable fashion or a fair
19 fashion.

20 So I commend you for knowing and
21 understanding what the problems are here in the
22 west. And we, in turn, don't want to just depend on
23 you to take the message back. You need our help, as
24 well, as I read it, to get the message to Congress
25 and to your fellow commissioners that fair is fair.

1 And it's not fair out here in the west right now.
2 It's mostly cloudy to gloomy in the distribution of
3 those funds.

4 SENATOR CASE: You know, I'm not the
5 biggest fan of any kind of subsidy program, Mr.
6 Commissioner, but when there's one going, I like to
7 get my fair share of it. We can't get rid of all of
8 them. I don't see why somebody else should get it
9 if we can't.

10 A point that I think has to come about in
11 terms of allocating distribution from the funds is
12 the fact that some states have done more than others
13 to pay their fair share. We have done -- we've gone
14 through an amazing transition in Wyoming. There's
15 been a lot of pain and hardship that has created
16 the -- Teense is absolutely right about the
17 hardships our citizens are going through in paying
18 for their bills. But, yet, that ought to count for
19 something. I mean, if you're giving federal money
20 out between two states, it seems like the state with
21 the high -- that's really stepped up to the plate
22 and raised local rates in order to encourage
23 deployment of technology, encourage competition,
24 that ought to count for something. And it's very
25 discouraging that it doesn't. And I bet US West

1 could talk about that.

2 COMMISSIONER NELSON: Commissioner
3 Furchtgott-Roth, I have a question. It's
4 my understanding --

5 COMMISSIONER FURTNEY: Commissioner
6 Nelson, just a minute. We have a couple more
7 questions down on the other end of the table,
8 please.

9 REPRESENTATIVE WILLFORD: Yeah. Teense
10 Willford here, Commissioner.

11 In my hometown, we had a gentleman on a
12 kidney machine, couldn't afford to pay his phone
13 bill. It got cut off. I intervened, of course,
14 with the TAP, the Telephone Assistance Program, got
15 him back on. And these things should not be allowed
16 to happen. And my question is, as I alluded to
17 earlier, we pay for federal -- what is it? --
18 federal access charges and taxes and some things.
19 Do these funds go into the federal universal fund?
20 How does -- how does that mechanism work?

21 And, also, as I alluded to earlier, places
22 like Puerto Rico get millions of dollars, and we in
23 the pioneer west are struggling to get by. And we
24 have a lot of folks, as I sent Senator Case 6- or
25 700 letters from customers here in Wyoming, who

1 absolutely a lot of them were 6-, \$700 a month
2 income people who weren't quite eligible for the
3 Telephone Assistance Program, still needed these
4 basic services for doctors, 911, and one thing or
5 another, could not afford to pay those. They came
6 to me, Help us. And I don't know how I can. And
7 I'm looking for some assistance someplace.

8 Thank you.

9 MR. CEBALLOS: Commissioner, the one
10 piece that I would add to it is I think that even
11 when we met two years ago with Chairman Kennard on
12 this, he commented on this was the only time in his
13 career that he had ever seen -- had experienced the
14 governor's office, the Commission, the independent
15 telephone companies, US West, Sprint, in that
16 particular case that had been there, in unanimous
17 support of this. Most recently, the Commission has
18 sent to you a document asking for an adoption of a
19 model that they have put in place.

20 And what I would say is in Wyoming, we have
21 dropped access. We've raised basic service. We had
22 a \$9 million state fund for universal service. All
23 of the federal dollars are going to take that fund
24 down as low as we can. Experiment with Wyoming.
25 What I hear is we can't afford to do it in Wyoming,

1 because we'll have to do it everywhere. Well,
2 experiment with us. I think we have stepped up.
3 Let's see if we can put a different model in here.
4 You're not going to break the bank, I can assure
5 you, even if you fully fund it. And see if you
6 can't reward states for doing the right things. I
7 think you'll direct states, if you have that
8 specific policy, in the right direction.

9 COMMISSIONER FURTNEY: Commissioner
10 Nelson?

11 COMMISSIONER NELSON: Thank you.

12 Commissioner Furchtgott-Roth, I guess on the
13 new program that's going to come out of universal
14 service, the increase in the lifeline and linkup
15 that's available, one of the problems that we've
16 found in South Dakota is we've done a lot, since
17 there's been a lot of talk about that lately, to
18 make people more aware that they're entitled to
19 those benefits. But the problem we see is that
20 they -- even though we dump more money in that
21 program, these people still are not going to have
22 telephone service, because they owe the telephone
23 company, the electric company, and gas company so
24 much money in back bills that they won't qualify for
25 the programs, because they -- until they pay the

1 company what they owe them for former services,
2 they're not entitled to get back on the program,
3 because the utilities aren't handing out free stuff.
4 And so do you have any idea what we might do to get
5 around that or how we can address it?

6 COMMISSIONER FURCHTGOTT-ROTH: Well,
7 Commissioner Nelson, I'm here to learn. I can tell
8 you what's going on in Washington, but I don't
9 have -- there have been a lot of programs that have
10 tried to figure out ways to keep people connected.
11 For instance, restricted -- making, in essence,
12 direct dial long distance unavailable. Because a
13 lot of times, the back payments are for long
14 distance services. But I'm not -- I don't really
15 have the answers for these things. But I'm aware
16 that there are a lot of problems in getting to the
17 lifeline and linkup programs.

18 COMMISSIONER NELSON: See, the real
19 problem, I don't think, is really paying for the
20 phone. I mean, it's part of the problem. But a
21 major part of the problem on the reservation -- and
22 that seems to be what we're concentrating on -- is
23 more than not being able to pay for your telephone
24 bill. It gets down to economic development, jobs,
25 and a living wage. And if they had those things,

1 then they'd be able to pay for the telephone
2 service.

3 COMMISSIONER FURTNEY: Commissioner
4 Thompson, I believe you have a question for our
5 panelists.

6 COMMISSIONER THOMPSON: I do.

7 I was interested to hear the examples the
8 panel provided about demand aggregation --
9 aggregation. I'm wondering what some of them might
10 think about the role we, as regulators, should play.
11 Is facilitating, encouraging, or maybe even
12 requiring that sharing some of the existing
13 broadband resources amongst other potential users be
14 something we, as regulators, should do to ensure
15 more wide deployment of broadband in rural areas?

16 MR. SCHAIBLE: Well, I think -- to
17 address that comment, I think from a competitive
18 standpoint, you know, naturally, there are things
19 like density that make the business cases work
20 better and so on and so forth. But I think as long
21 as -- from a competitive environment, as long as
22 there's no directive to deploy service outside of a
23 certain density, if you will, or a certain
24 concentration -- if there's no directive, I think
25 we're all right. I think as soon as -- as soon

1 as -- I'm speaking for our particular business case.
2 But as soon as we're directed to go out, I know that
3 we've got a lot of the specific nodes that are not
4 cost-effective. And our business model is, you
5 know, pretty slim in some of the rural areas. So as
6 long as we are not directed to go outside of that
7 particular cluster, if you will. If we have to go
8 outside of that to a really long haul to serve one
9 customer, we need some support to make that work.
10 Otherwise, it doesn't work from a competitive
11 standpoint.

12 MR. CEBALLOS: I would add one
13 additional thing. I think additional directives or
14 regulation -- I don't think will certainly incent us
15 to do more. I think possibly rewarding the types of
16 things that we have been able to do might be a
17 better way to go about that. It would have the same
18 direction. Again, thinking back to the work that
19 we've done with Range Telephone, in essence, we're
20 going to take the whole northeastern part of the
21 state and provide them with broadband based on
22 something that was unheard of in the past. And I
23 think some recognition and support of that will go a
24 lot farther than new directive or regulations.

25 MR. DOBRAS: I would have to agree that

1 directives are not the solution. We're going back
2 to the point I was making earlier about educating
3 customers on how to use those tools and teaching
4 them the benefits of having those tools available, I
5 think is the better solution. But there will still
6 be situations that are just not economic.

7 COMMISSIONER FURTNEY: Representative
8 Willford?

9 REPRESENTATIVE WILLFORD: Steve, real,
10 real quickly.

11 For those of us who unfortunately cannot
12 have any competition, we sure didn't have any
13 problem with a benevolent monopoly that we used to
14 enjoy.

15 COMMISSIONER FURTNEY: Well, I think
16 we're close to our scheduled break time unless
17 there's another really pressing question to be
18 asked. Does anyone have one?

19 Okay. At this time, I'd like to thank our
20 panelists and our questioners for this first part of
21 our morning program.

22 Thank you.

23 (Applause.)

24 (At 10:27 a.m., a break was taken
25 until 10:51 a.m.)

1 COMMISSIONER FURTNEY: At this time,
2 I'd like to take just a brief moment to recognize a
3 few of the Wyoming state legislators that I know are
4 in attendance today.

5 I believe Senator John Haynes is here.

6 SENATOR HAYNES: Right here.

7 COMMISSIONER FURTNEY: Right here.

8 Senator, thanks for joining us.

9 SENATOR HAYNES: Thank you.

10 COMMISSIONER FURTNEY: Representative
11 Bruce Burns. Is Representative Burns here today? I
12 think I heard that he was here.

13 SENATOR HAYNES: Yeah, he's here.

14 COMMISSIONER FURTNEY: And Senator Curt
15 Meier.

16 Well, we appreciate their attendance today
17 in our program.

18 We're ready to start our second panel at
19 this time, "Contrasts in the Deployment of Advanced
20 Services." And once again, I'll just give very
21 brief introductions to our panelists. And I'll look
22 this time.

23 I'd like to make one more note. Frank
24 Galeotos with the Wyoming Department of
25 Administration and Information is here to ask

1 questions on behalf of Governor Geringer.

2 We have Earl Owens, who is the chief
3 executive officer of Blackfoot Telephone Cooperative
4 in Missoula, Montana. And he is also currently
5 president of the National Telephone Cooperative
6 Association.

7 We have Ron McCue, who is the assistant vice
8 president for Silver Star Communications.

9 Gordon Dye -- oops. I've got -- here I am
10 looking at my sheet instead of the people at the
11 table.

12 Let me back up. Seated next to Earl is
13 Gordon Dye, vice president and general manager of RT
14 Communications and currently president of the
15 Wyoming Telecommunications Association.

16 Next to Gordon, we have Larry Thompson, a
17 senior engineer for Martin & Associates.

18 Now we have Ron McCue, assistant vice
19 president for Silver Star Communications.

20 And next to me, Randy Lowe, general manager
21 for the Tri-County Telephone Association and
22 president of TCT West and Tri-Tel.

23 Please join me in welcoming our second group
24 of panelists.

25 (Applause.)

1 COMMISSIONER FURTNEY: Earl, why don't
2 you go ahead and lead off with your five-minute
3 presentation.

4 MR. OWENS: Thank you, Steve.

5 I'm glad to be here. I welcome the
6 opportunity to share the perspective of the rural
7 companies that I'm affiliated with.

8 As Steve said, I'm the president of the
9 National Telephone Cooperative Association. For
10 those of you who don't know NTCA or are not familiar
11 with it, it's a national association of currently
12 527 rural telephone companies -- companies in 46
13 states. In spite of the name, over half of the
14 members of the association are commercial companies,
15 the balance being cooperatives.

16 In September of last year, NTCA conducted a
17 survey of its members. And 412 of the companies
18 responded. The survey examined the availability of
19 Internet access and the deployment of broadband
20 capable facilities for high speed Internet access.
21 Of the respondents, 97 percent of the companies
22 offer Internet access. And they do that with a
23 variety of different technologies, generally
24 dial-up. But 30 percent of the companies offer
25 ISDN, 40 percent of the companies offer fractional

1 T1. And then 121 of the respondents, or about 30
2 percent, also stated that they are either
3 offering -- and this was last September -- that they
4 are either offering or planning to offer DSL service
5 in their territories.

6 I'd like to give just a brief overview of
7 four different companies that are -- that are
8 offering broadband services, four different NTCA
9 members. The first is Grand River Mutual of
10 Princeton, Missouri. Grand River Mutual researched
11 and tested a number of high speed Internet access
12 products before they settled on the vendor that they
13 have chosen. In the first six weeks after
14 introducing their -- their DSL product, they
15 converted 21 percent of their dial-up customers to
16 the new DSL product -- the new DSL service, rather.

17 The second company I'd like to mention is
18 Central Texas Telephone Cooperative of Goldthwaite,
19 Texas. Central Texas has begun billing for
20 broadband service to seven business customers in San
21 Angelo, Texas, a population of about 103,000, using
22 LMDS, or local multipoint distribution service.
23 Central Texas, which acquired three A block licenses
24 in the FCC's LMDS 1998 auction, is among the first
25 carriers in the United States, urban or rural, to

1 deploy LMDS.

2 Central Texas is operating the San Angelo
3 service as a competitive local exchange carrier and
4 intends to do the same in the nearby town of
5 Goldthwaite, where they're headquartered, where
6 three hub sites have been identified. And although
7 the cooperative is headquartered in Goldthwaite, its
8 ILEC service areas are outside the town, covering
9 the more remote areas. Central Texas eventually
10 plans to provide broadband service to these areas
11 using either LMDS or MMDS, multichannel multipoint
12 distribution service.

13 The third company I'd like to just mention
14 is Nemont Telephone Cooperative of Scobey, Montana.
15 You've already heard their name mentioned this
16 morning in the telemedicine project. Nemont began
17 deploying ADSL early this year in its 13,768 square
18 mile service area. The telco serves 48 local
19 exchanges in northeastern and southeastern Montana.
20 Included in this territory are the Fort Peck Indian
21 Reservation and the Crow Indian Reservation.
22 Subscriber density is 1.36 subscribers per square
23 mile. One ADSL site, in the town of Glasgow, was
24 operational in February, and the telco expects to
25 have ADSL access available to 47 percent of its

1 subscribers by midsummer this year. According to
2 Ron Osburg, who oversees Nemont's business
3 development and government relations, ADSL is the
4 best workable solution in the telco's territory at
5 present. And he expects the reach of the technology
6 to increase over time.

7 The fourth company I'd like to talk to you
8 about is my own, Blackfoot Telephone Cooperative,
9 and our commercial company subsidiary, Blackfoot
10 CFT. We have -- we have currently selected an
11 ADSL vendor, and we will begin deployment in August
12 of this year. And by the end of this year, over 40
13 percent of our access lines will have access to
14 ADSL, and virtually 100 percent by the -- by the
15 middle of next year, July of 2001. I say virtually,
16 because we have two small exchanges. The two
17 combined are about 150 lines that we are not going
18 to be able to provide access to because of their
19 remoteness and because of the -- the transport
20 facilities that we use to connect to them with.

21 The one minute sign has just come up.

22 I suspect there are a lot of companies who
23 have not deployed ADSL to this point even though it
24 has been available, for a number of reasons. I
25 think one of the basic reasons is we've been waiting

1 for a standard to be developed and deployed so that
2 we could gain the economies of the cost. The second
3 is our vendor does not have or just recently made
4 the product available, the standard based product
5 available.

6 And as I described, with this new standard
7 based product available, deployment will begin. And
8 we anticipate -- well, our plan is that by the end
9 of this year, by the end of 2000, only 4 percent of
10 our loops will be loaded loops. So the other 96
11 percent will have access to DSL services. And
12 that's 17- -- 17,000 lines spread over 7,500 square
13 miles in very mountainous, rugged terrain in western
14 Montana.

15 Thank you.

16 COMMISSIONER FURTNEY: Thank you, Earl.
17 Gordon?

18 MR. DYE: As stated before, my name is
19 Gordon Dye. I'm the general manager of
20 RT Communications, Incorporated, an independent
21 telephone company in the state of Wyoming that has
22 been in existence since 1994. I am also the
23 president of the Wyoming Telephone Association for
24 this year. And in these capacities, I have gained
25 an appreciation for the difficulty in providing

1 advanced telecommunications services in a rural
2 state such as Wyoming. In fact, providing plain old
3 telephone service in Wyoming presents some unique
4 problems, let alone providing broadband services.

5 As we know, Wyoming is a very rural state.
6 Most states have a single city with a greater
7 population than our whole state. RT Communications,
8 for instance, presently has less than four access
9 lines per route mile. Compounding this problem is
10 the terrain in our state, which also makes it
11 difficult and costly to serve. Nevertheless, the
12 rural independent telephone providers have made
13 every effort to provide state of the art quality
14 service to the residents of this state. In fact,
15 over the course of the last ten years, the
16 independents have converted our -- our analog
17 switches to digital technology, installed hundreds
18 of miles of fiber optic line and state of the art
19 digital loop carrier systems. The independents have
20 also led the way in providing analog and digital
21 wireless technology. This has been an expensive
22 process, and the FCC needs to know how costly it is
23 to serve portions of Wyoming.

24 I would like to provide you an example which
25 typifies how costly it can be to serve certain rural

1 areas. Jeffrey City, a small community in south
2 central Wyoming, which is 60 miles from the nearest
3 community, was home to approximately 15- to 2,000
4 residents during the uranium boom. Given the bust
5 in the uranium market, RT is left with 133 access
6 lines in this small community. Because of
7 antiquated equipment, both microwave and central
8 office, RT had to upgrade the community. We have
9 installed both digital microwave and buried fiber
10 cable to serve Jeffrey City. We have also installed
11 a new technology host remote digital switching
12 system. The project equates to about \$900,000.
13 This provides digital switching but is not -- but
14 does not provide broadband to the last mile. To
15 provide broadband services of 200 kilobits or better
16 to these 133 access lines will cost another
17 \$875,000.

18 We spent a total of 170- -- or \$1.78 million
19 on Jeffrey City. This is a per customer investment
20 of over \$13,000. An average customer bill would be
21 approximately \$335 per month. Remember, I said this
22 is average. So customers in town may pay \$100 per
23 month, and those out of town could see bills as
24 large as \$1,000 or more per month. These expenses
25 are not unusual.

1 RT has other areas in Wyoming. For
2 instance, Rocky Point in far northern Wyoming, which
3 has only 27 customers. The monthly bill to provide
4 advanced broadband services would be approximately
5 \$1,100 a month. These outlays are necessary in
6 order to provide telecommunications services that
7 are in any way equivalent to more urban areas.

8 There are other issues. We hear a lot about
9 the last mile. Well, the last mile is not the only
10 problem in Wyoming. Parts of Wyoming depend on
11 microwave systems that are at capacity. If we had
12 broadband services from our central office to each
13 of our customers in northeast Wyoming, it would do
14 them no good, because the microwave backbone is
15 full. However, we are working to address this
16 problem.

17 RT Communications and a sister company,
18 Advanced Communications Technology, and our parent
19 company, Range Telephone Cooperative, are working
20 together to build a fiber optic system for north
21 central Wyoming. Our companies will install a fiber
22 cable from Casper to Sheridan, approximately 200
23 miles. US West will complete a fiber route south
24 and east of Gillette. RT and Range will meet US
25 West east of our Midwest exchange and west of our

1 Moorcroft exchange. When complete, the northeast
2 quarter of Wyoming will be fiber fed, and it will
3 therefore be possible to deploy broadband services
4 to communities such as Newcastle, Sundance, Hulett,
5 Gillette, Sheridan, Kaycee, Midwest, and Buffalo.
6 But this project is expensive. Right-of-way is
7 getting hard to obtain. And when the project is
8 complete, we will be faced with competition for the
9 customers that we need and for which we are trying
10 to improve services.

11 When you think about the cost to upgrade the
12 last mile and our backbone infrastructure, you can
13 easily appreciate the risks that our members face in
14 constructing this system. There is no guarantee
15 that we will get a return on our investment. We
16 need to ensure that existing revenue streams remain
17 intact. Nevertheless, there are still areas that
18 cannot support enhanced services at this time.
19 These pockets of 27 customers here and another 133
20 customers way out there might have to wait until we
21 have a less expensive technology.

22 Thank you.

23 COMMISSIONER FURTNEY: Thank you,
24 Gordon.

25 Larry?

1 MR. THOMPSON: I'm Larry Thompson. I
2 work with Martin & Associates. We do the
3 engineering and consulting work for a couple hundred
4 small, independent telephone companies, primarily in
5 the region that we're talking about. From Idaho to
6 Ohio is primarily where we do our work.

7 So we've -- by doing the engineering and
8 cost consulting for these telephone companies, we've
9 seen firsthand, you know, what the challenges are
10 for deploying broadband in the rural areas. And
11 they've actually had a reasonable amount of success
12 deploying it. This morning we actually heard some
13 success stories, as well, typically centered around
14 upgrading broadband, you know, backbone. It might
15 have been CLEC'ing, competitive local exchange
16 carriers going in. Typically, those kinds of things
17 don't need as much help as what I want to talk to
18 you about, which is really the last mile, the local
19 loop.

20 It's getting from the electronics, that last
21 electronics between the customer and the central
22 office. It's that last copper and fiber loop that's
23 required to be able to deliver the broadband. In
24 South Dakota, Montana, Wyoming, a lot of states
25 we're talking about today, the last mile isn't the

1 last mile; it's the last 50 miles. And in that
2 respect, we're a lot more -- a lot like a telephone
3 company. We need a little copper in our diet, but
4 we need a whole lot more fiber. What we need to be
5 able to do is push that electronics closer to the
6 consumer.

7 We've done some studies for the state of
8 South Dakota, for example, where we actually had
9 legislation in our state a couple of years ago --
10 we're based in Mitchell, South Dakota. But we've
11 had some legislation the last couple of years where
12 we were in the legislation that the telephone
13 companies were required to be able to provide those
14 types of services to the consumers. We did a study
15 just in the independent territories, you know,
16 everywhere except for the RBOC, which is US West in
17 South Dakota, obviously. And for the 135,000 access
18 lines or so in the independent territories, the cost
19 to be able to upgrade South Dakota for broadband --
20 for broadband infrastructure was a little over
21 \$500 million. Of that, approximately 70 percent of
22 that was local loop investment, the stuff that you
23 bury in the ground. You know, it's the fiber and
24 copper cables required to be able to get the
25 broadband, to shorten up those loop lengths.

1 I don't know how many peop- -- how many of
2 you have had the opportunity to see the NECA
3 broadband task force study -- which I'm a member of
4 that task force, as well -- that just came out on
5 Wednesday, two days ago. But they did a similar
6 study as part of the task force where they took a
7 look at how much it would cost to upgrade the local
8 loop for the NECA carrier common line pool members.
9 So it's just a subset of the rural subscribers,
10 actually. And what they determined -- they threw
11 out, first of all, everybody who was planning on
12 upgrading by 2002 and only dealt with the ones that
13 were beyond the 2002 time frame. They came up with
14 a number of \$10.9 billion nationwide required to
15 upgrade those facilities for broadband access.

16 So it's really not so much, I don't feel,
17 that 65 percent of the population or so that's
18 living in the town, where we just have to typically
19 put in some electronics -- there's exceptions,
20 obviously, to these rules -- but put in some
21 electronics to serve them. It's the 35 percent that
22 lives outside those towns, in these rural areas,
23 that we really need to be focused on.

24 In fact, one of our clients in Montana has
25 an exchange that's 2,200 square miles, has 641

1 subscribers. 2,200 square miles, by the way, is
2 twice the size of Rhode Island. That's 641
3 subscribers. To be able to upgrade that exchange
4 was going to cost around \$22,000 per access line to
5 be able to give those consumers broadband access.
6 Those kind of numbers, it's pretty hard to
7 economically justify. That exchange, by the way, is
8 less than .2 subscribers per square mile. It takes
9 more than five square miles to get one subscriber in
10 some of those exchanges. That's rural.

11 I think there are instances where there is a
12 considerable amount of success. I believe that the
13 small rural telcos are being very aggressive in
14 trying to deploy this; that we have seen some good
15 examples of that. But the bottom line is there's
16 just a lot of areas that it's just not economically
17 feasible for these guys to be able to do it.
18 They're going to need some help. In states like
19 we're talking about with half a million to a million
20 residents in the entire state, it's also pretty
21 tough to do that on the state level. I think that
22 they need something, some help from the federal
23 level to be able to effectively deploy that.

24 We've seen cost averaging work in a lot of
25 our areas, not only in the telephone industry to

1 deploy basic telephone service but also the postal
2 industries. You know, it costs the same to mail a
3 first class letter from, you know, Los Angeles to
4 New York as it does from Los Angeles to Pukwana,
5 South Dakota, or Circle, Montana, wherever it might
6 be. They use cost averaging, as well.

7 I think we need to be able to look and
8 realize that it still is a public network. We need
9 to change our definition of what our network is.
10 POTS isn't where our network is going. And we need
11 to expand our definition of what, you know,
12 universal services should cover to be able to
13 effectively do it.

14 We have legislation on the books that says
15 that we should have it reasonable and affordable in
16 all areas of the country. And it's also that it
17 needs to be done in a timely manner. So that's not
18 the issue anymore. I think the real issue is if we
19 want it to be reasonable and affordable and done in
20 a timely manner, how do we effectively do that? And
21 with the kind of numbers that we see now as far as
22 being able to deploy it in a lot of our areas, it's
23 going to be a difficult, difficult challenge.

24 Thank you.

25 COMMISSIONER FURTNEY: Thank you,

1 Larry.

2 Ron?

3 MR. McCUE: Good morning. If you look
4 at your program, it indicates that Alan Hoops is
5 supposed to be here. I'm the -- I'm the pinch
6 hitter this morning due to an illness in the family.

7 As the commissioner said, my name is Ron
8 McCue. I'm the vice president for Silver Star
9 Communications and Teton Communications, a local
10 exchange carrier operating in rural western Wyoming
11 and eastern Idaho.

12 If I were to use the term "urban versus
13 rural" and ask you to conjure up images of each in
14 your mind, I would probably submit that there's
15 almost as many different definitions in this room as
16 there are people. And as the governor indicated,
17 rural, in a lot of cases, doesn't quite fit Wyoming,
18 because we have frontier areas.

19 Telecommunications has been a backbone to
20 this state for many years. The distance and density
21 issue, for us, is nothing new. The rural ILECs that
22 you see represented here at the table and yet in
23 this room have always attempted to be at the
24 forefront of technological deployment in our local
25 areas. This hasn't changed. The tremendous growth

1 of the Internet, the way it's changed the way we
2 fundamentally do business not only in Wyoming but
3 globally, and how it has impacted rural economic
4 development, particularly in Wyoming, is extremely
5 important. I think Silver Star and what it
6 represents as -- in contrast to this morning's
7 panel, contrasting the deployment of advanced
8 services, is highly representative.

9 By July of this year, we're very proud to
10 say that 100 percent of our customers in Wyoming
11 will have DSL services available to them. Yet, in
12 contrast to that, in our Idaho exchanges, we have
13 one exchange that has the density of .4 customers
14 per route mile. It takes a long ways to go to serve
15 those folks over there. You can stand at the
16 central office and count on one hand the number of
17 customers you can see from the center of our
18 population base. That community is not going to get
19 DSL real soon. Absent some external support
20 mechanisms, those folks will not join the broadband
21 revolution, and the digital divide will be very real
22 for them.

23 We have done field trials for three
24 different varieties of -- of DSL type services
25 beginning midsummer last year. And, Vic, in

1 Wyoming, I'm sorry to say -- well, I'm proud to say
2 we have more demand for DSL services than we can
3 keep up with due to supplier demand. Our businesses
4 are finding ways to use it and are finding creative
5 and unique ways of deploying DSL in their business
6 application, both locally and globally, to improve
7 their business and economic futures.

8 There are a number of things that can be
9 done in truly rural and frontier areas like our
10 Wayan (phonetic) exchange. We can change
11 depreciation rates. The old idea of life is 20
12 years isn't going to work in today's technology. We
13 have a DSL product that we put in place in April of
14 last year. It is technologically obsolete and will
15 need to be replaced before the year 2000 is over
16 with. I would submit to you 20 years is not an
17 appropriate depreciation cycle for that product. In
18 addition, universal service funds or the removal of
19 the cap for universal service funds for those
20 rural -- truly rural exchanges are going to be
21 necessary.

22 Do I believe that DSL services in our highly
23 concentrated high density Wyoming exchanges are
24 necessary? No, I don't, as evidenced by our
25 deployment already. Do I believe that federal or

1 state changes are going to be necessary for the
2 truly rural exchanges? I believe they absolutely
3 will. Our area needs a tremendous amount of help.
4 Rural economic development for Silver Star not only
5 is the support of a quality voice network but a
6 quality broadband network that our community can
7 hold up as an attractant to businesses and a
8 retention tool for the businesses that we have. For
9 that reason alone, we have seen it necessary to
10 deploy broadband in our areas.

11 Thank you.

12 COMMISSIONER FURTNEY: Thank you, Ron.

13 Randy?

14 MR. LOWE: Good morning. My name is
15 Randy Lowe, and I'm with Tri-County, TCT, Tri-Tel.
16 And I'm also the president of Yellowstone Cellular,
17 Inc., which is a Vorizon provider in Big Horn Basin
18 and Yellowstone Park. And we are a 51 percent owner
19 of that license. And I'm proud to say that we now
20 have the new satellite phone. It works great, but,
21 unfortunately, there's a gray cloud surrounding that
22 silver lining. It has no fax, data, 911. So
23 technology is still lagging, but there is a place
24 for some of those -- some of those phones in rural
25 Wyoming.

1 Even though we sell cellular, I certainly
2 hope that people don't throw away their wireline
3 phone to get a service that's not as good as the
4 step switch network that we had in place in 1994
5 when we bought out some of the US West exchanges.
6 At least that guy would run 28.8 modems. So even
7 though we sell it, it, to us, is a convenience tool.
8 I mean, we all have them. They're great for what
9 they're for, but they're not a broadband animal.

10 Because of Father Time, I think I'll just
11 try to explain some of my comments in my little
12 piece here. Our network is designed a little
13 differently than -- you know, being last on program,
14 I get to hear everybody else's story. I think our
15 network is somewhat different than everybody's so
16 far in that when we started out with a lot of square
17 miles -- and I don't know how many, but it's --
18 we're bordered on the mountains of the Big Horn
19 Basin on the west, the south, and the east and by
20 Rimrock Mall on the north in Billings.

21 We had to figure out some way to serve all
22 of those people. And we couldn't afford seven
23 central offices like were in place when we bought
24 the companies to add to our existing company. So we
25 decided to plow fiber in a ring through all of those